ORIGINAL

Open Meeting Agenda Item

CROCKETT
LAW
GROUP

Jef
Attc

0000187365

direct 602.441.2775
fax 602.466.3493
mobile 602.999.4188
email jeff@jeffcrockettlaw.com

April 10, 2018

VIA E-MAIL AND HAND-DELIVERY

Arizona Corporation Commission
DOCKETED
APR 10 2018
DOCKETED BY

Commissioner Bob Burns
ARIZONA CORPORATION COMMISSION
1200 W. Washington Street
Phoenix, Arizona 85007

Re: Docket WS-02987A-18-0050

Commissioner Burns,

Enclosed are the responses of Johnson Utilities, L.L.C., to the questions contained in your March 30, 2018 letter.

Very truly yours,

CROCKETT LAW GROUP PLLC

Jeffrey W. Crockett

RECEIVED
AZ CORP COMMISSION
DOCKET CONTROL
2018 APR 10 P 2:11

CROCKETT LAW GROUP PLLC
2198 East Camelback Road • Suite 305
Phoenix, Arizona 85016
www.jeffcrockettlaw.com

ORIGINAL and thirteen (13) copies filed
this 10th day of April, 2018, with:

Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

COPIES of the foregoing e-mailed or mailed
this 10th day of April, 2018, to:

Andy Kvesic, Director-Legal Division
ARIZONA CORPORATION COMMISSION
1200 W. Washington Street
Phoenix, Arizona 85007
LegalDiv@azcc.gov
utildivservicebyemail@azcc.gov
Consented to Service by E-mail

Craig A. Marks, Esq.
CRAIG A. MARKS, PLC
10645 N. Tatum Blvd., Suite 200-676
Phoenix, Arizona 85028
CraigAMarksPLC@gmail.com
Dave@swingfirst.co
Jeff@swingfirst.co
Consented to Service by E-mail

Warren Moffatt
177 W. Twin Peaks Parkway
San Tan Valley, Arizona 85143

Fernando Zapata
532 E. Red Mesa Trail
San Tan Valley, Arizona 85143
dadzap@gmail.com
Consented to Service by E-mail

E. John Carlson
32046 N. Echo Canyon Rd.
San Tan Valley, Arizona 85143

Catherine Labranche
28984 M. Agave Road
San Tan Valley, Arizona 85143

Michael Ross, Esq.
Woodrow C. Thompson, Esq.
GALLAGHER & KENNEDY, P.A.
2575 E. Camelback Road
Phoenix, Arizona 85016-9225
Attorneys for George H. Johnson
Not a Party, Mailed as a Courtesy

Daniel Pozefsky, Chief Counsel
RESIDENTIAL UTILITY CONSUMER OFFICE
1110 W. Washington Street, Suite 220
Phoenix, Arizona 85007
dpozefsky@azruco.com
Consented to Service by E-mail

Mike Rizuto
254 W. Saddleback Ln.
San Tan Valley, Arizona 85143

Gary Bria
32164 North Echo Canyon Road
San Tan Valley, Arizona 85143
Not a Party, Mailed as a Courtesy

Jeff Crockett

Question for Johnson Utilities, L.L.C.
Docket No. WS-02987A-18-0050

1. Does Johnson Utilities, L.L.C. have any other direct employees (i.e., not hired through Hunt Mgt., LLC), either full-time or part-time, other than Mr. Gary Drummond? If yes, please list their names and responsibilities.

   RESPONSE: No.

   RESPONDENT: Gary Drummond

2. Is Mr. George Johnson currently an employee of Johnson Utilities, L.L.C.? If yes, what are his responsibilities?

   RESPONSE: No.

   RESPONDENT: Gary Drummond

3. Is Mr. George Johnson compensated in any way, shape, or form by Johnson Utilities, L.L.C.? If yes, how is he compensated and for what?

   RESPONSE: George Johnson received compensation from Johnson Utilities, L.L.C. ("Johnson Utilities" or the "Company") while he acted as of the Company. However, Mr. Johnson has not received compensation from Johnson Utilities since he voluntarily stepped down as Manager in May 2017.

   Mr. Johnson is a beneficiary of The George H. Johnson and Jana S. Johnson Revocable Trust dated July 9, 1987 (the "Trust") which is the owner of Johnson Utilities. The Trust receives distributions from Johnson Utilities as the owner of Johnson Utilities. In addition, the Trust receives loan payments from Johnson Utilities for an outstanding $600,000 loan from the Trust to Johnson Utilities.

   In addition, Mr. Johnson receives income from through his ownership in businesses which transact business with Johnson Utilities. These businesses are identified in the Affiliated Interests Annual Filing which Johnson Utilities submits to the Arizona Corporation Commission pursuant to Arizona Administrative Code R14-2-805(A).

   RESPONDENT: Gary Drummond

4. Is Mr. George Johnson compensated in any way, shape, or form by Hunt Mgt., LLC? If yes, how is he compensated and for what?

RESPONSE: No.

RESPONDENT: Gary Drummond

5. How many water customers does Johnson Utilities, L.L.C. have as of March 31, 2018?

RESPONSE: As of March 31, 2018, Johnson Utilities, L.L.C. has 26,559 water customers.

RESPONDENT: Brad Cole

6. How many wastewater customers does Johnson Utilities, L.L.C. have as of March 31, 2018?

RESPONSE: As of March 31, 2018, Johnson Utilities, L.L.C. has 36,817 wastewater customers.

RESPONDENT: Brad Cole

7. Does Mr. Drummond have any technical training, technical experience or technical expertise in operating a water utility?

RESPONSE: While Johnson Utilities is not certain exactly what is intended by the qualifier "technical," Mr. Drummond does have knowledge, training, experience and expertise operating a water utility. Effective as of June 5, 2017, Mr. Drummond assumed the position of Manager of Johnson Utilities. Thus, Mr. Drummond has managed Johnson Utilities for close to a year and has established a track record which can be examined. Moreover, in his pre-filed testimony dated March 26, 2018, in Docket WS-02987A-18-0050, Mr. Drummond explains further why he is qualified to manage Johnson Utilities:

> **There are three things that qualify me to act as Manager of Johnson Utilities. First, having served as its legal counsel for over 20 years, I am familiar with the owners of Johnson Utilities and the employees of its management company. I have witnessed the growth of the areas of Pinal County which Johnson Utilities services and the actions taken by Johnson Utilities to provide service to such areas. In other words, I am well versed in the background of Johnson Utilities.**

Second, I have experience representing utility companies and have been a partner in law firms which have specialized in utility law and regulation.

Third, as a transactional attorney, I have provided legal services for a wide variety of businesses on numerous legal issues. Such representation has provided me with a well-rounded database to resource in managing Johnson Utilities. In addition, successful transactional attorneys are problem solvers. As a result, I have developed a reputation for trust and fair dealing among other attorneys, regulators and other governmental officials.

Representation of other types of businesses, combined with my experience with utility clients and my historical knowledge of Johnson Utilities, makes me uniquely qualified to act as Manager of Johnson Utilities and to continue to improve its service performance and customer satisfaction.

While Mr. Drummond does not himself hold water certifications from the Arizona Department of Environmental Quality ("ADEQ"), he and Johnson Utilities have full access to many certified operators as discussed in the responses to questions 48 and 49 below. As Manager, Mr. Drummond holds weekly operations meetings with the key company leaders who oversee engineering, operations and maintenance for Johnson Utilities. What is important is that Mr. Drummond possess the managerial expertise to run Johnson Utilities, and the facts establish that he does. Johnson Utilities is not aware of any requirement that Mr. Drummond himself possess any specific certifications or training in order to manage a water utility.

RESPONDENT: Gary Drummond

8. Does Mr. Drummond believe that having technical training, technical expertise, or technical experience in operating a water utility would be useful to him in performing his duties as Manager of Johnson Utilities, L.L.C.? If no, why not.

RESPONSE: While Johnson Utilities is not certain exactly what is intended by the qualifier "technical," the Company believes that there are many types of training and expertise which could be helpful to a manager of a water utility. As discussed in the response to question 7 above, Mr. Drummond possesses knowledge, skills, expertise and experience that qualify him to serve as Manager of Johnson Utilities.

RESPONDENT: Gary Drummond

9. Does Mr. Drummond have any technical training, technical experience or technical expertise in operating a wastewater utility?

RESPONSE: While Johnson Utilities is not certain exactly what is intended by the qualifier "technical," Mr. Drummond does have knowledge, training, experience and expertise operating a wastewater utility. Effective as of June 5, 2017, Mr. Drummond assumed the position of Manager of Johnson Utilities. Thus, Mr. Drummond has managed Johnson Utilities for close to a year and has established a track record which can be examined. Moreover, in his pre-filed testimony dated March 26, 2018, in Docket WS-02987A-18-0050, Mr. Drummond explains further why he is qualified to manage Johnson Utilities:

> **There are three things that qualify me to act as Manager of Johnson Utilities. First, having served as its legal counsel for over 20 years, I am familiar with the owners of Johnson Utilities and the employees of its management company. I have witnessed the growth of the areas of Pinal County which Johnson Utilities services and the actions taken by Johnson Utilities to provide service to such areas. In other words, I am well versed in the background of Johnson Utilities.**
>
> **Second, I have experience representing utility companies and have been a partner in law firms which have specialized in utility law and regulation.**
>
> **Third, as a transactional attorney, I have provided legal services for a wide variety of businesses on numerous legal issues. Such representation has provided me with a well-rounded database to resource in managing Johnson Utilities. In addition, successful transactional attorneys are problem solvers. As a result, I have developed a reputation for trust and fair dealing among other attorneys, regulators and other governmental officials.**
>
> **Representation of other types of businesses, combined with my experience with utility clients and my historical knowledge of Johnson Utilities, makes me uniquely qualified to act as Manager of Johnson Utilities and to continue to improve its service performance and customer satisfaction.**

While Mr. Drummond does not himself hold wastewater certifications from ADEQ, he and Johnson Utilities have full access to many certified operators as discussed in the responses to questions 51 and 52 below. As Manager, Mr. Drummond holds weekly operations meetings with the key company leaders who oversee engineering, operations and

maintenance for Johnson Utilities. What is important is that Mr. Drummond possess the managerial expertise to run Johnson Utilities, and the facts establish that he does. Johnson Utilities is not aware of any requirement that Mr. Drummond himself possess any specific certifications or training in order to manage a wastewater utility.

RESPONDENT: Gary Drummond

10. Does Mr. Drummond believe that having technical training, technical expertise, or technical experience in operating a wastewater utility would be useful to him in performing his duties as Manager of Johnson Utilities, L.L.C.? If no, why not?

RESPONSE: While Johnson Utilities is not certain exactly what is intended by the qualifier "technical," the Company believes that there are many types of training and expertise which could be helpful to a manager of a wastewater utility. As discussed in the response to question 9 above, Mr. Drummond possesses skills, expertise and experience that qualify him to serve as Manager of Johnson Utilities.

RESPONDENT: Gary Drummond

11. On page 2 of Mr. Drummond's testimony he is asked if he is authorized to testify on behalf of Johnson Utilities, L.L.C. Why is he asked this question if he is the Manager of Johnson Utilities, L.L.C.?

RESPONSE: This is a standard question and answer that Johnson Utilities includes for all persons providing testimony in this proceeding. The question is asked to establish on the record that Mr. Drummond is authorized to testify on behalf of Johnson Utilities.

RESPONDENT: Gary Drummond

12. Is Mr. Drummond required to get permission from someone to testify on behalf of the company he manages? If yes, who?

RESPONSE: No.

RESPONDENT: Gary Drummond

13. To whom does Mr. Drummond report in his capacity as Manager of Johnson Utilities, L.L.C.?

RESPONSE: As Manager of Johnson Utilities, Mr. Drummond does not have a superior.

RESPONDENT: Gary Drummond

14. Can Mr. Drummond be dismissed (fired), as Manager of Johnson Utilities, L.L.C., by Mr. George Johnson?

RESPONSE: Johnson Utilities is owned by The George H. Johnson and Jana S. Johnson Revocable Trust dated July 9, 1987. George Johnson is a Co-Trustee of the Trust. As Co-Trustee, Mr. Johnson hired Mr. Drummond and Mr. Johnson can dismiss Mr. Drummond.

RESPONDENT: Gary Drummond

15. What are the difference in duties between Mr. Gary Drummond and Mr. Brad Cole?

RESPONSE: The duties of Mr. Drummond are described in his pre-filed Direct Testimony dated March 26, 2018, in Docket WS-02987A-18-0050:

> **I am responsible for the management of Johnson Utilities. As Manager, I review and analyze the financial and capital improvement needs of Johnson Utilities and plan for future growth and expansion. In addition, I work with Johnson Utilities' management company to implement capital improvements, coordinate the delivery of utility services and provide quality customer service. I also represent the Company in regulatory matters with the Commission, ADEQ, the Arizona Department of Water Resources and Pinal County, Arizona. Additionally, I work with land developers and commercial and residential builders relative to their future plans and their utility needs.**

The duties of Mr. Cole are described in his pre-filed Direct Testimony dated March 26, 2018, in Docket WS-02987A-18-0050:

> **My primary responsibilities for Hunt Management include overseeing a staff of skilled professionals in the operation, maintenance and management functions of Johnson Utilities. I provide guidance and direction to field staff on operational and maintenance matters affecting both the water and wastewater divisions. I am responsible for the financial performance of Johnson Utilities. I provide oversight and approval for expenditures at the utility and oversee capital improvements. I also regularly represent the Company at industry functions and in regulatory matters before the Commission.**

RESPONDENT: Gary Drummond

16. If Mr. Brad Cole is employed by Hunt Mgt., LLC, why is Mr. Cole responsible for the financial performance of Johnson Utilities, L.L.C.?

RESPONSE: Mr. Cole is not directly responsible for the financial performance of Johnson Utilities. Rather, this statement from Mr. Cole's pre-filed Direct Testimony in Docket WS-02987A-18-0050 was intended to convey that the manner in which Hunt Mgt., LLC, performs services for Johnson Utilities has a direct impact on the financial performance of Johnson Utilities.

RESPONDENT: Gary Drummond

17. Does Hunt Mgt., LLC have any clients other than Johnson Utilities, L.L.C.? If yes, please list those other clients.

RESPONSE: Yes. Hunt Mgt., L.L.C., has the following clients: Slash/J, L.L.C., Dogwood 178, LLC, Johnson Ranch Estates, L.L.C., The Club at Oasis, L.L.C., Southwest Environmental Utilities, L.L.C., Roadrunner Transit, L.L.C., La Camarilla, Inc., Central Arizona Solid Waste, Inc., Johnson International, Inc., Athena Group, L.L.C., GHJ Investments, L.L.C., Rancho Sendero, L.L.C., and Ultra Racing, L.L.C.

RESPONDENT: Brad Cole

18. Please list the shareholders of Hunt Mgt., LLC.

RESPONSE: As a limited liability company, Hunt Mgt., L.L.C., has members and not shareholders. The members are the owners. The members of Hunt Mgt., L.L.C., are The Chris Johnson Family Trust dated September 14, 2000, and Barjo LLC.

RESPONDENT: Gary Drummond

19. Please list the officers of Hunt Mgt., LLC.

RESPONSE: As a limited liability company, Hunt Mgt., L.L.C., is not required to have officers. However, the company has assigned informal titles to certain employees. Brad Cole, for example, has the informal title of Chief Operating Officer, and Todd Stewart has the informal title of Controller.

RESPONDENT: Gary Drummond

20. Are any of the shareholders or officers of Hunt Mgt., LLC related in any way, shape or form to Mr. George Johnson? If yes, how?

RESPONSE: Chris Johnson is a Co-Trustee of The Chris Johnson Family Trust dated September 14, 2000, which is a Member of Hunt Mgt., L.L.C. Barbara Johnson is a Member of Barjo LLC, which is a Member of Johnson Utilities. Chris Johnson and Barbara Johnson are the son and daughter, respectively, of George Johnson. Brad Cole is currently engaged to Margaret Johnson who is the daughter of George Johnson.

RESPONDENT: Gary Drummond

21. Are there any Johnson Utilities, L.L.C. water customers that are not served by a Sensus iPerl meter? If yes, please list the other meter types.

RESPONSE: Yes. Johnson Utilities also uses Sensus SRII and Sensus PMM meters which use radio read technology like the Sensus iPerl meters.

RESPONDENT: Brad Cole

22. When did Johnson Utilities, L.L.C. first begin using Sensus iPerl water meters?

RESPONSE: Johnson Utilities first began using Sensus iPerl water meters approximately 4 or 5 years ago.

RESPONDENT: Brad Cole

23. Does Johnson Utilities, L.L.C. know of any other water utilities (either public or private) that use Sensus iPerl water meters? If yes, please list those utilities.

RESPONSE: Yes. Based upon information provided by Dana Kepner Company, Inc., the following Arizona water providers use Sensus iPerl water meters: Town of Queen Creek, Town of Gilbert, City of Goodyear, Liberty Utilities, Valley Utilities, Town of Oro Valley, Diversified Water Utilities, City of Peoria, City of Holbrook, Page Utility Enterprises, Navajo Tribal Utility Authority and the Salt River Pima-Maricopa Indian Community. There may be other water providers in Arizona using Sensus iPerl meters.

RESPONDENT: Brad Cole

24. Is the Dana Kepner Company, Inc. related in any way, shape or form to either Johnson Utilities, L.L.C. or Hunt Mgt., LLC?

RESPONSE: No.

RESPONDENT: Brad Cole

25. Is the company that manufactures the Sensus iPerl water meter related in any way, shape or form to Johnson Utilities, L.L.C. or Hunt Mgt., LLC?

RESPONSE: No.

RESPONDENT: Brad Cole

26. Why has it taken Johnson Utilities, L.L.C. several years to begin addressing the issue of Sanitary Sewer Overflows (see Cole testimony)?

RESPONSE: Johnson Utilities disagrees with the premise that it has taken several years to begin addressing Sanitary Sewer Overflows ("SSOs"). The Company understands the serious potential health risk of SSOs and has always taken steps to avoid SSOs. However, as a result of higher numbers of SSOs in 2015 and 2016, Johnson Utilities performed a root-cause analysis in 2017 in order to develop an action plan to address the causes of the more frequent SSOs. Mr. Cole describes the actions taken by Johnson Utilities in his pre-filed Direct Testimony dated March 26, 2018 in Docket WS-02987A-18-0050:

> **The root-cause analysis showed that, historically, several force main breaks were clustered along a specific stretch of Hunt Highway and in another area along Felix Road. The Company's staff reviewed the design drawings and determined critical air relief and vacuum breaker valves were missing from these two force mains. The Company immediately installed those air relief and vacuum breaker valves. This resulted in the complete elimination of force main breaks in these two cluster areas. Also, along Hunt Highway where 12 breaks previously occurred over the past 10 years, 1,500 feet of 10-inch PVC force main was replaced with high-density polyethylene (HDPE) pipe and new air relief and vacuum breaker valves were installed. The Company spent approximately $47,000 on this construction and it eliminated 12 future potential leak sites.**
>
> **The Company identified another problem area where two force mains from two different lift stations joined and combined on their way down to the Section 11 WWTP. In effect, the two lift stations were fighting each other for pipeline carrying capacity**

and this was causing water hammering. As a result, the Company designed a 4.7-mile long pipeline from the Copper Basin #2 Lift Station down to the Section 11 WWTP. This will cause each lift station to have its own dedicated line and no longer allow the Main Yard Lift Station and Copper Basin #2 Lift Station to fight each other for pipe capacity or cause water hammering. This project received Construction Authorization from ADEQ on March 22, 2018. This project will go out to bid shortly and is expected to commence within the next 90-120 days.

The Company also determined that several SSOs occurred at the Pecan WRP Lift Station. Careful analysis by Company staff and a third-party vendor specializing in controls determined that the Pecan WRP influent lift station needed upgrading. There were several different monitoring systems installed which were working independently of each other. The fix was determined to be to remove all of the independent control and monitoring equipment and replace it with a new Program Logic Controller ("PLC") and have all the controls operated and monitored by the single PLC. The Company also made improvements to the emergency back-up trash pump that maintains flow should a failure occur with the PLC. In the last half of 2017, together with the PLC upgrade, these improvements eliminated any future SSOs from occurring at the Pecan WRP Lift Station.

The Company also determined that a majority of its collection system clogs were a result of customers flushing grease and baby wipes into the sewer system. The Company performed several actions to attempt to ameliorate this problem. First, the Company increased its video inspection and jet rodding activities in the Castlegate subdivision area. Second, the Company increased its communication with customers through its monthly newsletter informing them several times in 2017 of the list of things that should not be flushed down the toilets. The Company also replaced four sewer manholes in this area that were experiencing hydrogen sulfide corrosion with polymer concrete sewer manholes. The increased video inspections, jetting and communications with customers has resulted in no SSOs in the area since the middle of the third quarter of 2017.

The Company has also experienced collection system clogs as a result of subcontractors in new developments placing construction debris (asphalt concrete, wood, branches, and plastic wrapping from insulation bundles) into the manholes

rather than the garbage bins provided by the developer. The Company met with developers to discuss this topic and the Company is performing increased inspections of new developments. The topic is also discussed in the early planning stages between our engineering staff and the developers. This has resulted in no construction debris clogs in the collection system since January 2017.

The Company also looked at lift stations to determine which ones appeared to be affected by hydrogen sulfide gas. The Company installed odor scrubbers at those lift stations to clean the air of the hydrogen sulfide gas. The Company is also installing Wet Well Wizards at five of its lift stations to completely eliminate hydrogen sulfide gas, as I discussed above. These Wet Well Wizard aerators also completely eliminate blankets forming from FOG in the collection system. Over time, our lift station maintenance expenses are expected to decrease as a result of all of these actions.

RESPONDENT: Brad Cole

27. What was the date of Johnson Utilities, L.L.C.'s most recent Sanitary Sewer Overflow?

RESPONSE: The most recent SSO occurred on March 30, 2018. This SSO occurred as a result of a grease and baby wipe clog which occurred in an area of the wastewater system which has historically had no collection system problems.

RESPONDENT: Brad Cole

28. Mr. Cole categorizes the Sanitary Sewer Overflows into six (6) categories, none of which seem to indicate Johnson Utilities, L.L.C. responsibility. Is it true that no Johnson Utilities, L.L.C. Sanitary Sewer Overflow was the fault of the company, e.g., improper operation, improper maintenance, improper system design, etc.?

RESPONSE: The six categories of SSOs characterized by Mr. Cole indicate the root cause of the events, and not an attempt to assign fault. Clearly, Johnson Utilities is responsible for the safe operation of its wastewater system. In analyzing the root cause of the more frequent SSOs, Johnson Utilities was able to determine what actions it needed to take to eliminate future SSOs, and the Company has been taking those actions with due speed. For example, the SSO which occurred most recently on March 30, 2018, was the result of a grease and baby wipe clog which occurred in an area that has historically had no collection system issues. The Company has expanded its regular video and jet rodding activities to that area and again reminded customers in the monthly newsletter

of things that should not be flushed down the drains. Johnson Utilities also ordered new technology called the SL-RAT. This Sewer Line – Rapid Assessment Tool will allow Johnson Utilities to focus its cleaning efforts and reduce cleaning by over 50%. The SL-RAT is a highly portable onsite assessment tool that provides sewer line blockage assessment in less than 3 minutes. It provides a blockage assessment 10-20 times faster than CCTV (video) without the need for pre-cleaning. This technology will allow Johnson Utilities to quickly assess a subdivision for dirty segments and blockages and allow the Company to plan maintenance activities such as jet-rodding.

RESPONDENT: Brad Cole

29. Does Johnson Utilities, L.L.C. believe that Sanitary Sewer Overflows could pose a health hazard to the public? If no, why not?

RESPONSE: Yes. An SSO can pose a health hazard to the public if the public is exposed to the SSO, and for that reason, SSOs must be taken very seriously. With each SSO, Johnson Utilities has quickly responded to the incident and cordoned off the affected area, cleaned up the spilled wastewater and disinfected the area according to applicable regulatory requirements. Johnson Utilities is not aware of any person who has been exposed to an SSO or who has experienced an illness or other health impact as a result of an SSO.

RESPONDENT: Brad Cole

30. How many Sanitary Sewer Overflows has Johnson Utilities, L.L.C. experienced since January 1, 2015?

RESPONSE: According to information provided by the Arizona Department of Environmental Quality to the Arizona Corporation Commission, and listed in the Order to Show Cause, Johnson Utilities experienced 36 SSOs between February 11, 2015 and November 15, 2018. Johnson Utilities has had three additional SSOs since the last event listed by ADEQ. These three SSOs occurred on December 17, 2017, March 27, 2018, and March 30, 2018.

RESPONDENT: Brad Cole

31. Does the number of Sanitary Sewer Overflows Johnson Utilities, L.L.C. has experienced since January 1, 2015, fall within industry standards? If yes, what number of Sanitary Sewer Overflows would exceed industry standards?

RESPONSE: Johnson Utilities is not aware of any industry standard applicable to SSOs.

RESPONDENT: Brad Cole

32. Mr. Cole states that Johnson Utilities, L.L.C. is fully committed to cooperate with the Arizona Department of Environmental Quality ("ADEQ"). Does this mean that Johnson Utilities, L.L.C. will never again prevent ADEQ from performing inspections or obtaining samples whenever ADEQ believes performing those functions is necessary?

RESPONSE: Johnson Utilities believes that this question refers to an event that occurred on or about December 5, 2016. Johnson Utilities will never prevent ADEQ from performing inspections or obtaining samples whenever or wherever ADEQ believes that performing those functions is necessary. In the month of March 2018, ADEQ took hundreds of samples at the Company's facilities and ADEQ was provided unfettered access to any site at any time that ADEQ desired to visit.

RESPONDENT: Gary Drummond and Brad Cole

33. On page 19 of Mr. Cole's testimony he references a 2018 Notice of Violation for the Section 11 Wastewater Treatment Plant and lists nine (9) issues. Are not most, if not all, of those nine (9) issues just basic operating criteria that any wastewater utility with the proper managerial and technical skills should be able to handle without being ordered to so by a regulatory agency? If no, why?

RESPONSE: The Section 11 Wastewater Treatment Plant incurred six permit violations and three rule violations. Those issues have either been corrected or are in the process of being corrected and Johnson Utilities acted quickly to put in place procedures to prevent these issues from occurring again.

Johnson Utilities does not believe that the 2018 NOV evidences a lack of proper managerial or technical skills. In a Technical Memorandum[1] dated March 26, 2018 and prepared for ADEQ by third-party consultant WestLand Resources, Inc. ("WestLand") based upon the results of a site inspection of the Section 11 Wastewater Treatment Plant, WestLand was asked by ADEQ: "In the responses given to your questions, do you feel Johnson Utilities has sufficient technical and managerial capacity to operate the plant and prevent future continued odor/hydrogen sulfide issues? Did there seem to be areas of

[1] The Technical Memorandum was pre-filed by Johnson Utilities as Exhibit J-13 in Docket WS-02987A-18-0050.

competence or expertise missing?" WestLand answered those questions in this way: "Johnson Utilities staff seemed forthcoming in all their responses. They seemed knowledgeable in the operation of the treatment plant and the collection system, and understood the problems that they were facing in each system."

RESPONDENT: Brad Cole

34. How is contracting with Hunt Mgt., LLC beneficial to Johnson Utilities, L.L.C. customers?

RESPONSE: Johnson Utilities believes that contracting with Hunt Mgt., L.L.C. provides greater economies of scale, risk mitigation, greater operational flexibility and lower operating costs.

RESPONDENT: Gary Drummond

35. Why would it not be more beneficial to Johnson Utilities, L.L.C. customers to have the utility directly employ the personnel it needs instead of going through an affiliated entity?

RESPONSE: The decision to utilize Hunt Mtg., L.L.C., was a made pursuant to the management discretion of Johnson Utilities based upon an analysis of the specific circumstances of Johnson Utilities. Johnson Utilities believes there are benefits to using Hunt Mtg., L.L.C., as set forth in the response to question 34 above.

RESPONDENT: Gary Drummond

36. Is Johnson Utilities, L.L.C. related in any way, shape or form to Roadrunner Transit?

RESPONSE: The Members of Roadrunner Transit, L.L.C., are The Chris Johnson Family Trust dated September 14, 2000, and Barjo LLC. Chris Johnson is a Co-Trustee of The Chris Johnson Family Trust dated September 14, 2000. Chris Johnson and Barb Johnson are the son and daughter, respectively, of George Johnson. George Johnson is a beneficiary of The George H. Johnson and Jana S. Johnson Revocable Trust dated July 9, 1987, which owns Johnson Utilities.

RESPONDENT: Gary Drummond

37. Does Johnson Utilities, L.L.C. own any of the assets of Roadrunner Transit?

RESPONSE: No.

REPONDENT: Gary Drummond

38. Have any persons that haul water for personal use from any standpipes, owned and operated by Johnson Utilities, L.L.C., ever been official customers of Johnson Utilities, L.L.C.?

RESPONSE: In the past, there have been persons who hauled water from the Edwards Road standpipe who had accounts with Johnson Utilities.

RESPONDENT: Brad Cole

39. Has Johnson Utilities, L.L.C. ever estimated water use for any of its water customers? If no, does that mean that every water bill ever issued by Johnson Utilities, L.L.C. has been based on an actual meter read?

RESPONSE: Yes. Johnson Utilities estimated water bills due to a process failure just one time in the past 11 years. With the exception of the one process failure in the summer of 2017 which affected some of the Company's customers, every bill that Johnson Utilities has ever issued has been based on actual meter reads.

RESPONDENT: Brad Cole

40. Ms. Stephanie Poulin's testimony states that the vast majority of Johnson Utilities, L.L.C. water meters are programmed in such a way that meter reads are always rounded down to the nearest 1,000 gallons. Does Johnson Utilities, L.L.C. believe that billing its customers in this fashion is compliant with Arizona Corporation Commission rules and regulations? If yes, why?

RESPONSE: Historically, Johnson Utilities has used water meters which round down to the nearest thousand gallons for billing purposes. To be clear, however, this does not mean that Johnson Utilities is failing to bill for all of the water that it delivers to customers. For examples, if a customer uses 9,999 gallons in January, that customer will be billed for 9,000 gallons of water in the month of January. When the February meter read was done, the 999 gallons that were not billed with the January usage will be picked up in the February billing cycle. Thus, all gallons are billed and no customer is harmed.

When Brad Cole began working with Johnson Utilities in 2015, he determined that it is a better practice to bill for the actual number of gallons used each month. He began ordering water meters which read in exact gallons and the Company has been installing those meters for new installs and for meter replacements since 2015. Whether or not the Commission's rules and regulations permit rounding down to the nearest thousand gallons, Johnson Utilities believes that it is best to use meters which measure in actual gallons.

RESPONDENT: Brad Cole

41. Ms. Poulin's testimony states that Johnson Utilities, L.L.C. plans to upgrade its Sensus iPerl water meters by reprogramming them to read the actual gallons used. According to Ms. Poulin's testimony this would be done in a gradual manner as new meters are installed and old meters are replaced. It seems that this method of upgrade could take several, if not many, years. What would it take for Johnson Utilities, L.L.C. to reprogram all its water meters by December 31, 2018?

RESPONSE: Johnson Utilities is looking at this issue and will update this response as soon as it has an estimate of the time and cost to reprogram its meters to read in exact gallons by December 31, 2018.

RESPONDENT: Gary Drummond

42. According to Johnson Utilities, L.L.C. pre-filed testimony, it serves less than 30,000 water customers. The testimony also states that Johnson Utilities, L.L.C. averages about 10,000 disconnect notices per month. Using Mr. Drummond's water customer figure of 25,615 means that almost forty percent (40%) of Johnson Utilities, L.L.C. customers are delinquent each month. How does this number of disconnect notices per month compare with other water utilities in Arizona, such as Arizona Water Company, Global Water, EPCOR Water Arizona, Inc., and Liberty Utilities?

RESPONSE: Johnson Utilities does not have information from the other utilities and is unable to compare its number of disconnect notices per month with other water utilities. However, Johnson Utilities notes that the calculation provided in this question does not include the Company's nearly 37,000 wastewater accounts. The 10,000 disconnect notices referenced in Mr. Poulin's pre-filed Direct Testimony in Docket WS-02987A-18-0050 refer to the Company's 63,000+ water and wastewater accounts. As such, the percentage is incorrectly calculated and consequently overstated. For December 2017 through February 2018, disconnects for non-payment of water bills and/or sewer bills were as follows:

December 2017- 611
January 2018 - 463
February 2018 - 493

RESPONDENT: Brad Cole

43. Ms. Poulin's testimony with the Question & Answer beginning at the bottom of page 11 and going through page 12, seems to explain why Johnson Utilities, L.L.C. believes that there is such an issue with disconnect notices. It seems that the current system is not really working as well as one might hope. Does Johnson Utilities, L.L.C. have a plan or proposal to alleviate and/or improve this situation (other than Auto-Pay)?

RESPONSE: Yes. Johnson Utilities is excited about the improvements that are coming. The Company has been planning this improvement for more than a year and has been waiting until its existing contract expires. Johnson Utilities has contracted with a new vendor that processes online and over-the-counter check and credit card payments. The options for payment will be greatly enhanced. Improvements will include: (1) interactive voice response ("IVR"), (2) electronic check payments, (3) instant account updates, (4) online bill review by the customers, and (5) no wait times when using the IVR system to pay a bill. During the late notice/disconnect cycle, the phone times have tended to be extended and this new payment system will eliminate the need for customers to speak directly with a customer service representative. This will make it easier for those customers with service issues to speak more quickly with customer service representative (who would have previously spent a majority of their time processing payments).

RESPONDENT: Gary Drummond

44. The prefiled testimony of Mr. James Taylor states, "Johnson Utilities is not unlike other utilities in Arizona that have grown quickly and experienced some growing pains." Johnson Utilities, L.L.C. has been in existence for about 21 years. Should Johnson Utilities, L.L.C. still be classified as a company with "growing pains"?

RESPONSE: Johnson Utilities believes that what Mr. Taylor means is that although the Company is operating and maintaining its facilities to industry standards, Johnson Utilities needs to enhance its written policies and procedures. Mr. Taylor and his firm, GHD, Inc., have been contracted by Johnson Utilities to address this issue. Mr. Taylor can elaborate on this point when he testifies at the hearing.

RESPONDENT: Brad Cole

45. Please provide a list of all the utilities to which Mr. Taylor compared Johnson Utilities, L.L.C. that led him to make the statement above. Please include the comparison of Sanitary Sewer Overflows, sewage odor complaints, drinking water quality complaints, billing complaints, disconnect notices, ADEQ Notices of Violation for water and wastewater, and any other comparisons that Mr. Taylor relied on to support his conclusion that Johnson Utilities, L.L.C. is not unlike other utilities in Arizona.

RESPONSE: Johnson Utilities believes that this statement is based upon Mr. Taylor's years of experience in the water and wastewater industry, and specifically, upon his employment with utilities in Arizona. Mr. Taylor can elaborate on this point when he testifies at the hearing.

RESPONDENT: Brad Cole

46. Johnson Utilities, L.L.C. has several water Best Management Practices ("BMP") that have been approved by the Arizona Corporation Commission. Please provide a list of each of those BMPs and explain for each BMP how Johnson Utilities, L.L.C. has been maintaining compliance with each BMP. In particular, please explain, in as much detail as possible, how Johnson Utilities, L.L.C. has been complying with BMP 3.6 (Customer High Water Use Inquiry Resolution Tariff) and BMP 3.8 (Water Waste Investigation and Information Tariff). For BMPs 3.6 and 3.8, list each and every time these two BMPs were used and how compliance with each instance was achieved.

RESPONSE: Johnson Utilities has the following BMP's:

1. **<u>Public Education Program Tariff</u> – The Company provides conservation education in both the Spring and the Fall. Topics include the filling of swimming pools, checking pools for leaks, and water saving tips. Water saving tips or snippets are used nearly every month in the Company newsletter.**
2. **<u>New Homeowner Landscape Information Tariff – BMP 2.3</u> – each new customer receives a New Homeowner Packet. That packet contains a conservation packet, how to read your bill and water meter, tips on xeriscape, and information on low water use plants.**
3. **<u>Residential Audit Program Tariff – BMP 3.1</u> – The Company provides customers with a Self-Audit Kit who requests them. In addition, the Company also provides them with the Conservation Kit.**
4. **<u>Customer High Water Use Inquiry Resolution Tariff – BMP 3.6</u> – the steps in this BMP are followed when there is a high water use inquiry. Notes from both the field and account investigations are collected and placed into the customer's account.**
5. **<u>Customer High Water Use Notification Tariff – BMP 3.7</u> – before the meter reads are posted into billing, a high use report is generated. If the read is significantly high, a field service order is generated and investigated and the read is confirmed**

and leaks investigated. An out-bound call is placed to the customer to inform them that their read is high this month.

6. **<u>Water Waste Investigation and Information Tariff – BMP 3.8</u> – the Company handles water waste complaints when they are received and follows this BMP. A trained field representative investigates the complaint and if confirmed, staff either mitigates the issue on the spot or calls the customer if they cannot. Repeat offenders receive a letter from the Company informing them of water waste and possible disconnection of service.**
7. **<u>Leak Detection Program Tariff – BMP 4.1</u> – The Company maintains a monthly accounting of its Non-revenue water ("NRW") which compares production vs. sales and account for authorized unbilled usages such as fire-fighting. The Company strives to maintain less than 10% NRW ratio. Leaks are investigated when suspected.**
8. **<u>Meter Repair and/or Replacement Tariff – BMP 4.2</u> – the Company uses the 1,000,000 gallons / ten year rule when deciding to inspect a meter sized 1-inch or smaller (majority of meters installed in system). Same applies to larger meters whose age is 5-years old.**
9. **<u>Water System Tampering Tariff – BMP 5.2</u> – If any facilities, including water meters, are tampered with, the Company will either call the Sheriff Department or terminate service or both.**
10. **<u>Low Water Use Landscaping Tariff for Model Homes in New Residential Developments – BMP 5.5</u> – this BMP is loosely followed but the Company will increase its communication with developers.**

RESPONDENT: Brad Cole

47. How many miles of water mains does Johnson Utilities, L.L.C. have?

RESPONSE: Johnson Utilities has 331.24 miles of water mains.

RESPONDENT: Brad Cole

48. How many ADEQ Water Distribution Certified Operators does Hunt Mgt., LLC have specifically assigned to service Johnson Utilities, L.L.C.? What are the grades of each of these certified operators?

RESPONSE: Hunt Mgt., L.L.C., has 12 certified water distribution operators specifically assigned to Johnson Utilities. The following is the water distribution certification grades and the number of operators in that grade: Grade 1 – 1; Grade 2 – 8; Grade 3 – 1; and Grade 4 – 2.

RESPONDENT: Brad Cole

49. How many ADEQ Water Treatment Certified Operators does Hunt Mgt., LLC have specifically assigned to service Johnson Utilities, L.L.C.? What are the grades of each of these certified operators?

RESPONSE: Hunt Mgt., L.L.C., has 11 certified water treatment operators specifically assigned to Johnson Utilities. The following is the water treatment certification grades and the number of operators in that grade: Grade 1 – 3; Grade 2 – 8; Grade 3 – 1; and Grade 4 – 1.

RESPONDENT: Brad Cole

50. How many miles of sewer mains does Johnson Utilities, L.L.C. have?

RESPONSE: Johnson Utilities has 364.8 miles of sewer mains and 12.4 miles of reclaimed water mains.

RESPONDENT: Brad Cole

51. How many ADEQ Sewage Collection Certified Operators does Hunt Mgt., LLC have specifically assigned to service Johnson Utilities, L.L.C.? What are the grades of each of these certified operators?

RESPONSE: Hunt Mgt., L.L.C., has 9 certified wastewater collection operators specifically assigned to Johnson Utilities. The following is the wastewater collection certification grades and the number of operators in that grade: Grade 1 – 3; Grade 2 – 3; Grade 3 – 1; and Grade 4 – 2.

RESPONDENT: Brad Cole

52. How many ADEQ Wastewater Treatment Certified Operators does Hunt Mgt., LLC have specifically assigned to service Johnson Utilities, L.L.C.? What are the grades of each of these certified operators?

RESPONSE: Hunt Mgt., L.L.C., has 8 certified wastewater treatment operators specifically assigned to Johnson Utilities. The following is the wastewater treatment certification grades and the number of operators in that grade: Grade 1 – 4; Grade 2 – 0; Grade 3 – 3; and Grade 4 – 1.

RESPONDENT: Brad Cole